



The Microsoft Game Business

Chris Satchell – General Manager XNA

Microsoft

Introduction

What I do

Gaming Industry @ Microsoft

The Gaming Consumer

Top Fives for Microsoft Gaming

Top Fives for the Game Development Industry

How you can help

What I do...



=

- All things Microsoft creates targeted at game developers
- Single unified brand, unique brand promise:

Maximize Revenue, Maximize Impact, Minimize Cost
"Better, Faster, Cheaper"

Professional Gaming Platform - XDK, DxSDK

Community Gaming Platform - XNAFx, XNA GSE

Game Platform Extensions - MGS Core Tech

Developer Connection - Support, Education, Consultancy

Game Platform Marketing - WW Certification, Game Compat

Game Platform Strategy - Evangelism Strategy



GAMING INDUSTRY @ MICROSOFT

Components & Owners

Interactive Entertainment Business: Robbie Bach (President)

Gaming Business: Peter Moore (CVP)

J Allard
(CVP)

Ops Brian
Tobey (VP)

1st Party
(MGS): Shane
Klein (CVP)

3rd Party:
George
Peckham (GM)

JAG: Marc
Whitton (GM)

Platform: Todd Holmdahl (CVP)

Xbox Live:
Ben Kilgore
(GM)

XNA: Chris
Satchell (GM)

CCS: Chris
Pirch (GM)

Hardware:
Larry Yang
(GM)

Accessories:
TBD (GM)

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The value chain for game development



The value chain for game development



The value chain for game development



The value chain for game development



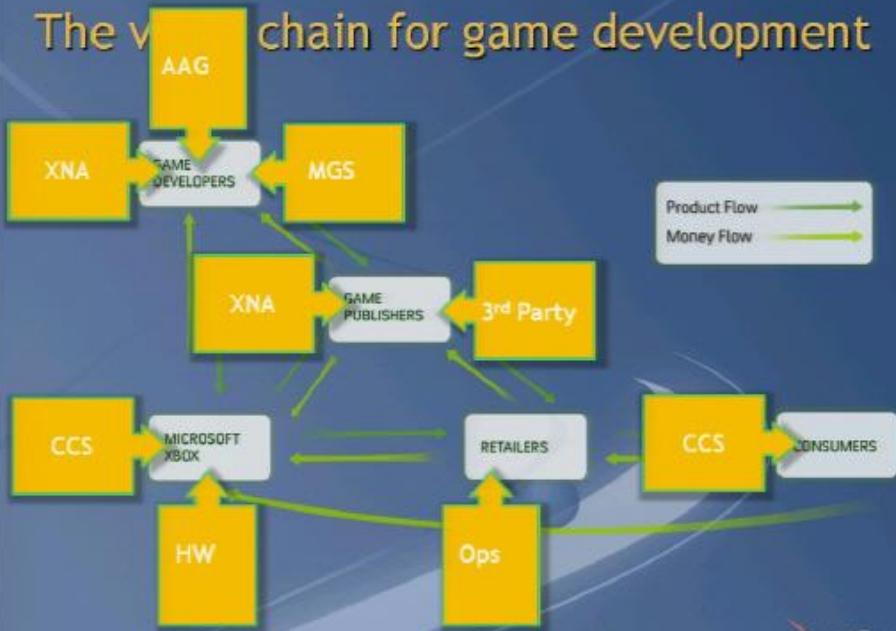
The value chain for game development



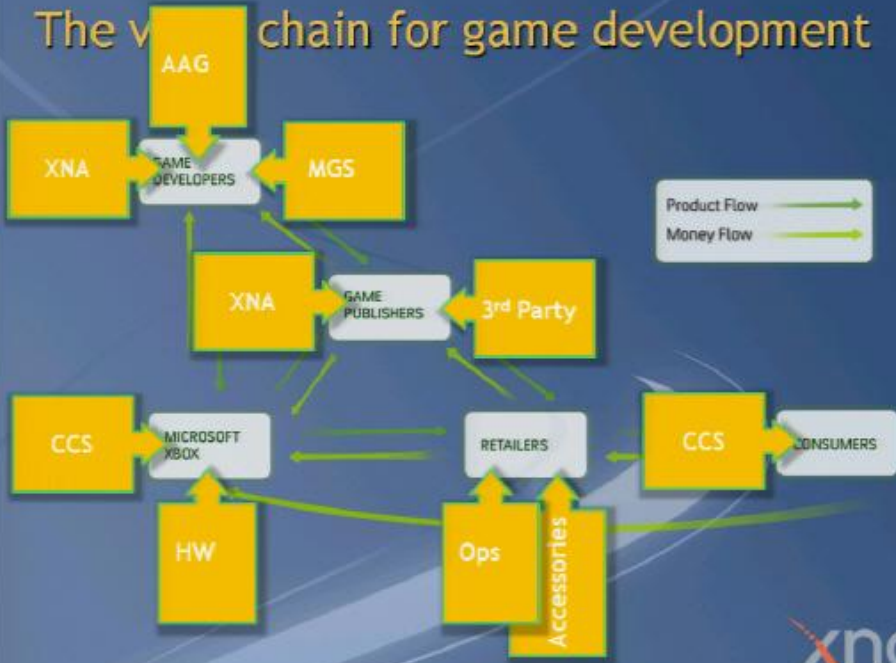
The value chain for game development



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The value chain for game development



The HW Value chain

Developers create designs



Testers qualify the product



Component Teams handle relationships with suppliers



Component suppliers make parts



Manufacturing teams design and set up the factory



Contract manufacturers buy the parts and build the product

Transportation gets product to the distribution centers



Sales teams get the product into stores and forecast orders



Distribution center to stores



Stores to customers



Customer Call / Care Centers



Repair & Refurbishment centers

Xbox Performance to date

- >10.4M units sold in
- Best life-to-date attach @ 5.1
- 4 titles sold through > 1M units
- Xbox Live at 6M subscribers
- On track for 320 games by end CY
- 3rd Party up >50% revenue LTD

G4W Performance to date

- 3rd most popular activity on Windows
- 200M gamers on Windows WW
- Windows gaming market to \$12B by 2010
- 16M DX10 parts for desktops by EOY
- US retail up YOY - first year since 2001
- 5 of 8 G4W branded titles in top 10

Who is the current consumer

- 80% Gamers; 20% Players
 - Gamers are very involved in category
 - Well-informed, influential, heavy spend (time & money), early adopters
 - Some are digital enthusiasts, some are pure gamers (just want a great gaming system without a lot of extras)
 - Players enjoy gaming but less involved in category
 - Not well-informed, not influential, low spend (time & money), later adopters

THE GAMING CONSUMER

- -80% male
- -70% age 14-30
- -80% spend 3+ hours/week playing games

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Lifestyle trends

What's Changing?



What stays the same?



Trends in digital consumption



Consumers as Creators



Top 5 things to know about... Xbox Live

1

>6M people subscribe today

2

Key differentiator and CM driver

3

Secure, consistent, unified service

4

Pubs can extend service via XLSP

5

Launches on Vista early summer

Top 5 things to know about... Accessories

1

Key profit center \$2B program revenue

2

Future innovation is key for >40M customers

3

1st and 3rd Party programs

4

Cost reduction is a major focus

5

Key features are: Wireless & Cross-platform

Top 5 things to know about... Hardware

1

MS is Fab-less: outsourced manufacture

2

Relies on cost reduction. $GM \leq 0$ over life

3

We own IP: custom design with Partners

4

>\$3B annually on design and COGs

5

Performance, cost & power key drivers

Top 5 things to know about... Software

1

#1 solutions in industry

2

Deep software stack, C++/HLSL back-ends

3

Managed (XNA GSE) & Native (XDK, DxSDK)

4

Consumer & developer software

5

Focus on tools & run-time libraries

Top 5 things to know about... Publishers

1

It's all about \$\$ (PLCs)

2

Platform agnostic unless paid

3

Cornerstone of our business

4

Control the majority of developers

5

Big Pubs have big tech investments

Top 5 things to know about... Developers

1

Content creators outnumber devs 5:1

2

Not platform agnostic

3

Religious about their own tech / practices

4

Few independent successful studios

5

Want to make great games, not just \$\$

Top 5 things to know about... Production

1 Content only created once for multi-platforms

2 Scale and complexity is a huge problem

3 2-3 year cycles, new tech in first 12 months

4 Unpredictable development schedules

5 No standard infrastructures / pipelines

HOW YOU CAN HELP



Top challenges

1 Multi-core development / innovation

2 Content complexity & cost

3 Breakthrough control & interfaces

4 HW manufacture & cost reduction

5 Quality and Security

6 Platform differentiation

The future...

- 1 Broadening our customer base
- 2 Community in everything
- 3 Community created content
- 4 Connected entertainment
- 5 #1 HW, SW & Service Quality
- 6 Alternate revenue streams

Q&A

A&Q